



CYNTHIA A. HARDING, M.P.H.
Interim Director

JEFFREY D. GUNZENHAUSER, M.D., M.P.H.
Interim Health Officer

313 North Figueroa Street, Room 708
Los Angeles, California 90012
TEL (213) 240-8156 • FAX (213) 481-2739

www.publichealth.lacounty.gov



BOARD OF SUPERVISORS

Hilda L. Solis
First District

Mark Ridley-Thomas
Second District

Sheila Kuehl
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

April 1, 2015

TO: Each Supervisor

FROM: Cynthia A. Harding, M.P.H.
Interim Director

SUBJECT: **UPDATE ON HEALTH FACILITIES INSPECTION DIVISION
CONTRACT NEGOTIATIONS (ITEM NO. 25, AGENDA OF FEBRUARY
24, 2015)**

This is in response to the motion by Supervisor Antonovich at the February 24, 2015 Board meeting to provide an update on the State Legislative budget hearings pertaining to the Department of Public Health (DPH) Health Facilities Inspection Division's (HFID) contract and DPH's efforts to continue pursuing contract negotiations with the State consistent with the Board's position to increase funding to conduct the services required by the State.

2015-16 Governor's Proposed Budget for HFID Contract

Los Angeles County (LAC) contracts with the California Department of Public Health (CDPH) Licensing & Certification (L&C) program to provide licensing, certification, inspection, and complaint investigation services for healthcare facilities in LAC. The current contract for the HFID is \$26.9 million and will end on June 30, 2015. While the current contract allocates 178 full time equivalent (FTE) employees, the funding is only sufficient to support 151 FTEs due to increases in salaries, employee benefits, and indirect costs in LAC.

The Governor's FY 2015-16 Proposed State Budget, introduced on January 9, 2015, included a \$9.5 million increase in funding for the LAC contract for health facility inspections. The budget augmentation is intended to allow LAC to complete high-priority federal and State workload, and to provide:

- \$2.6 million to fully fund the salaries for the existing 178 contract positions at current LAC salary rates;
- \$6.9 million to fund 32 additional positions; and
- Total contract funding of \$36.4 million and 210 FTEs.

The \$9.5 million proposal would only allow LAC to focus on a portion of the total State and federal workload for the L&C program, specifically the highest priority workload based on federal guidelines. The proposal also indicates that once LAC has trained the additional 32 staff, CDPH may request additional resources for LAC in order to address the full range of services. CDPH estimates this would be a total of \$43.1 million and 281 positions.

The FY 2015-16 Proposed Budget also provides \$378,000 to fund three State positions in L&C to provide onsite monitoring, training, and quality improvement activities for LAC. These positions would not have a significant impact in managing HFID's workload.

Limitations of the State Proposal

CDPH conceded to LAC that their calculations to arrive at a funding increase of \$9.5 million were based on incorrect salary rates; did not reflect current rates for employee benefits and indirect costs; and did not use the correct factor for LAC's Productive Work Hours. In addition, the State model formulas incorrectly allocated the position classifications for LAC. This resulted in a funding proposal that does not fully fund LAC to do the highest priority workload. Highest priority workload includes high risk surveys (Tier I and Tier II), such as at nursing homes; long term care facility complaints; and backlog complaints since 2011. Using the correct figures, LAC would need \$14.3 million (see Table 1).

Table 1. Comparison between Governor's Proposal and Actual Los Angeles County need for Highest Priority Workload		
FY 2015-16	Governor's Proposal	County Need
Funding increase	\$9.5 Million	\$14.3 Million
Total Contract Funding	\$36.4 Million	\$41.2 Million
FTE increase	32	46
Total FTE	210	224

In the Governor's proposal, LAC would not be contracted to complete all mandated federal and State workload, including the following activities: surveys at acute psychiatric hospitals; licensure surveys at all health facility types, such as chronic dialysis clinics, hospices and community clinics; and special monitoring requests in skilled nursing facilities. The State will have to complete any services not included in any subsequent contract with the County, or the services will not be performed. LAC facilities could be at a disadvantage if they receive lesser services than the rest of the State, and the vulnerable residents of these facilities may be at risk. To deliver all of the federal and State workload, LAC needs a total of \$58.9 million and a total of 331 FTEs phased in over at least seven years.

It is important to note that it takes approximately one year to train a new evaluator to be certified to conduct the inspection work independently. In addition, there are limitations to the number of staff that can be trained in any one year, due to a finite number of slots for the State and federal training programs.

State Legislative Hearings

During February and March 2015, Terri Williams, Assistant Director of Environmental Health, and I testified at Budget Subcommittee and oversight hearings in Sacramento. In addition, we met with Governor Brown's office, the Legislative Analyst's Office, Assembly and Senate leadership, and Budget, Health, and oversight committee members and their staff regarding the HFID contract and the need for additional funding to carry out the expected workload.

Contract Negotiations

Consistent with the Board's policy, DPH is continuing to pursue additional funding from the State for the HFID contract throughout the formal contract negotiations that began in mid-March. Funding for L&C is dependent on the resources being provided through the State's budget process, and the Legislature's action on the Governor's FY 2015-16 Proposed Budget will not be finalized until after the Governor submits his May Revised budget.

DPH's primary concerns in the contract negotiations are the adequacy of resources for the program, ensuring that the workload is commensurate with the resources in the contract, and ensuring that LAC's vulnerable population is sufficiently protected. At the present time CDPH staff have agreed in concept to all the key elements required in the revised contract, including the methodology for how additional resources will be calculated. We are working with CDPH to get a revised contract document that we can review and to reach final agreement on budget numbers, and have scheduled an all-day meeting on April 17, 2015 to finalize negotiations.

We will provide your Board with additional status updates on the FY 2015-16 Budget and LAC contract negotiations as they progress. In the meantime, if you have any questions or need additional information, please let me know.

CAH:jb

Attachment

c: Interim Chief Executive Officer
 County Counsel
 Acting Executive Officer, Board of Supervisors